

Message Text

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TO AMEMBASSY SEOUL IMMEDIATE
INFO USMISSION GENEVA IMMEDIATE

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GENEVA FOR PHELAN - SEOUL CHIEF TEXTILE NEGOTIATOR MBSMITH

E.O. 11652: N/A

TAGS: ETRD, KS

SUBJECT: CABLE RE MFA RENEWAL.

WOULD APPRECIATE YOUR VIEWS ON FOLLOWING DRAFT, SINCE
EXTENSIVE CHANGES WERE MADE IN VERSION CLEARED EARLIER.
PURPOSE OF CHANGES WAS TO MAKE MORE CLEAR OUR CONTINUED
PREFERENCE FOR STRAIGHTFORWARD RENEWAL OF MFA (I.E.
WITHOUT NEED FOR PROTOCOL OR "UNDERSTANDING"), ALTHOUGH
AT PRESENT THIS APPEARS MOST UNLIKELY, AND TO REINFORCE
A) OUR BELIEF THAT W/44 LANGUAGE DOES NOT ALTER MFA,
AND B) OUR WILLINGNESS TO BACK UP THIS INTERPRETATION
SHOULD OTHERS SEEK TO NEGOTIATE AGREEMENTS WHICH DEROGATE
FROM OVERALL MFA STANDARDS. WE BELIEVE SUBSTANCE OF
CABLE REMAINS UNCHANGED, BUT WANT TO BE CERTAIN NO GREMLINS
HAVE CREPT IN. WOULD APPRECIATE REPLY ASAP.

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DRAFT FOLLOWS:

QUOTE. 1. SUMMARY. USG BELIEVES RENEWAL OR EXTENSION
OF THE MULTIFIBER ARRANGEMENT (MFA) WITHOUT SUBSTANTIVE
CHANGE IS OF VITAL IMPORTANCE TO TEXTILE IMPORTING AND

EXPORTING COUNTRIES. BEST CHANCE FOR SUCH EXTENSION

IS ON THE BASIS OF UNDERSTANDINGS REGARDING ITS IMPLEMENTATION SET OUT IN A WORKING PAPER WHICH WAS SUPPORTED AT THE RECENT MEETING OF THE GATT TEXTILE COMMITTEE (TC) BY MFA PARTICIPANTS ACCOUNTING FOR ABOUT 85 PERCENT OF THE TRADE COVERED BY THE MFA. SEVERAL COUNTRIES OBJECTED, HOWEVER, AND NO CONSENSUS WAS REACHED ON THE BASIS FOR RENEWAL. WE DO NOT BELIEVE THAT ANOTHER MEETING OF THE COMMITTEE IN THE NEAR FUTURE WOULD RESULT IN A CONSENSUS. WE DO NOT EXCLUDE THE POSSIBILITY THAT A LAST MINUTE RENEWAL MIGHT BE ACHIEVABLE IN DECEMBER, BUT WE BELIEVE IT PROBABLE THAT DEMISE OF THE MFA WILL ONLY BE AVOIDED BY PRESSING FORWARD WITH U.S. PROPOSAL THAT A PROTOCOL BE OPENED DECEMBER 15 IN GENEVA, FOR SIGNATURE BY MEMBER COUNTRIES, ON THE BASIS OF THE UNDERSTANDINGS SUPPORTED BY THE MAJORITY. THIS MESSAGE REQUESTS YOU TO MAKE APPROPRIATE REPRESENTATIONS TO HOST GOVERNMENT SEEKING SUPPORT FOR THE PROPOSAL TO OPEN THE PROTOCOL AND STRESSING THE URGENCY OF RENEWAL OF THE MFA, WITHOUT WHICH THE INTERESTS OF BOTH EXPORTING AND IMPORTING COUNTRIES CAN ONLY BE ADVERSELY AFFECTED. END SUMMARY.

2. BACKGROUND. THE TC MET JULY 5-24 IN GENEVA TO CONTINUE ITS CONSIDERATION OF THE FUTURE OF THE MFA, WHICH ESTABLISHES A FRAMEWORK FOR THE REGULATION OF INTERNATIONAL TEXTILE TRADE. THE MFA EXPIRES ON DECEMBER LIMITED OFFICIAL USE

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31, 1977. THE US AND A NUMBER OF OTHERS SOUGHT RENEWAL OF THE MFA WITHOUT SUBSTANTATIVE CHANGE. ALTHOUGH THE GREAT MAJORITY OF PARTICIPATING COUNTRIES AGREED ON THE IMPORTANCE OF HAVING AN MFA IN EFFECT AFTER DECEMBER 31, IT PROVED IMPOSSIBLE AT THIS MEETING TO ACHIEVE A CONSENSUS ON THE BASIS FOR RENEWAL. IN PARTICULAR, THE EUROPEAN COMMUNITY ARGUED THAT BILATERALS PERMITTED UNDER ARTICLE 4 MUST BE ALLOWED TO "STABILIZE" IMPORT GROWTH RATES OF CERTAIN SENSITIVE PRODUCTS; IF OTHERS DID NOT AGREE THAT PRESENT MFA LANGUAGE CONFERS THIS FLEXIBILITY, THEN EC "WOULD HAVE NO ALTERNATIVE BUT TO SEEK FORMAL CHANGES". TO BRIDGE THE RESULTING IMPASSE, A US-LED WORKING GROUP DRAFTED A PAPER (CIRCULATED AS GATT DOCUMENT COM.TEX/W/44; HEREAFTER CALLED THE "WORKING PAPER) SETTING OUT A SERIES OF UNDERSTANDINGS CONCERNING IMPLEMENTATION OF THE MFA; THIS WORKING PAPER WAS ENDORSED BY SIXTEEN MFA PARTICIPANTS ACCOUNTING

FOR NEARLY 85 PERCENT OF WORLD TEXTILE TRADE, INCLUDING THE EUROPEAN COMMUNITY, JAPAN, MEXICO, HONG KONG, KOREA, THE ASEAN COUNTRIES AND THE US. SEVERAL EXPORTING COUNTRIES, LED BY BRAZIL AND INDIA, DECLINED TO ENDORSE

THE WORKING PAPER AND OBJECTED TO RENEWAL OF THE MFA ON THE BASIS OF THE UNDERSTANDINGS IN IT, APPARENTLY BECAUSE THEY FELT THIS COURSE WOULD NOT PROVIDE SUFFICIENT CONSTRAINTS ON DEVELOPED COUNTRY EFFORTS TO LIMIT TEXTILE IMPORTS. BRAZIL AND INDIA CIRCULATED ANOTHER PAPER (COM.TEX/W/43) AS AN ALTERNATIVE TO THE WORKING PAPER.

3. CONTROVERSIAL PART OF THE WORKING PAPER IS ITS STATEMENT THAT THE MFA, IN ITS PRESENT FORMULATION, PROVIDES FOR "THE POSSIBILITY OF JOINTLY AGREED REASONABLE DEPARTURES FROM PARTICULAR ELEMENTS IN PARTICULAR CASES" IN THE CONTEXT OF BILATERALLY NEGOTIATED RESTRAINT AGREEMENTS. WE SEE THIS LANGUAGE AS A REAFFIRMATION OF THE FLEXIBILITY INHERENT IN THE MFA AS IT PRESENTLY LIMITED OFFICIAL USE

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EXISTS, AND MOST EMPHATICALLY NOT RPT NOT AS A MODIFICATION OF THE MFA. THE "DEPARTURES" REFERRED TO ARE NOT RPT NOT DEPARTURES FROM THE OVERALL STANDARDS OF THE MFA, BUT ONLY FROM "PARTICULAR ELEMENTS" CONTAINED THEREIN. FOR EXAMPLE, ALTHOUGH THE MFA SPECIFIES AN ANNUAL GROWTH RATE OF 6 PERCENT IN IMPORT QUOTAS, US BILATERAL AGREEMENTS WHICH COVER WOOL PROVIDE FOR ONLY 1 PERCENT ANNUAL QUOTA GROWTH FOR WOOLEN PRODUCTS. THIS DEPARTURE FROM A PARTICULAR ELEMENT OF THE MFA DOES NOT VIOLATE OVERALL MFA STANDARDS BECAUSE THESE AGREEMENTS PERMIT US IMPORTS OF COTTON AND MAN-MADE FIBER PRODUCTS TO GROW AT RATES GREATER THAN 6 PERCENT, THUS BALANCING THE JOINTLY AGREED LOW RATE ON WOOL PRODUCTS. IN PARTICULAR, WE BELIEVE THE WORKING PAPER LANGUAGE IN NO WAY DEROGATES FROM THE REQUIREMENT IN PARA 4.3 OF THE MFA THAT BILATERAL AGREEMENTS SHALL, ON OVERALL TERMS, BE MORE LIBERAL THAN ARTICLE 3 (I.E., UNILATERAL) RESTRAINTS.

4. THE BRAZILIAN/INDIAN PAPER IS IDENTICAL TO OURS IN MOST RESPECTS; HOWEVER IT IS LESS EXPLICIT IN ITS ACKNOWLEDGEMENT OF THE MFA'S EXISTING FLEXIBILITY, AND DOES NOT CONTAIN THE PHRASE "JOINTLY AGREED REASONABLE DEPARTURES FROM PARTICULAR ELEMENTS IN PARTICULAR CASES". IT SEEMS CLEAR THAT THIS LANGUAGE WAS EXCLUDED NOT BECAUSE OF ANY DISAGREEMENT THAT THIS FLEXIBILITY EXISTS, BUT RATHER BECAUSE OF CONCERN THAT

LARGE IMPORTING COUNTRIES WOULD SEEK TO USE SUCH LANGUAGE TO JUSTIFY AGREEMENTS, IMPOSED ON WEAK EXPORTING COUNTRIES, WHICH WOULD DEROGATE FROM THE OVERALL STANDARDS OF THE MFA. AS NOTED ABOVE, WE EMPHATICALLY DO NOT BELIEVE THAT THE WORKING PAPER SHOULD BE INTERPRETED IN THIS LIMITED OFFICIAL USE

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MANNER, AND WE WOULD OPPOSE ANY ARRANGEMENT WHICH SEEKS TO DO SO. THE WORKING PAPER WAS PAINSTAKINGLY NEGOTIATED TO MEET THE NEEDS OF BOTH IMPORTING AND EXPORTING COUNTRIES WITH REGARD TO MFA RENEWAL; SHOULD IT BECOME NECESSARY TO OPEN THE TEXT OF THE MFA TO SUBSTANTIVE CHANGE WE ARE EXTREMELY PESSIMISTIC RE CHANCES FOR AGREEMENT ON RENEWAL.

5. ALTHOUGH THE TC MEETING ADJOURNED WITHOUT A FORMAL CONSENSUS ON THE FUTURE OF THE MFA, LARGELY BECAUSE OF THE DIFFERENCE OF VIEW ON THE MEANING OF "REASONABLE DEPARTURES", THE DESIRABILITY OF EXTENSION OF THE MFA HAS BEEN RECOGNIZED BY ESSENTIALLY ALL PARTICIPANTS. DURING TC MEETINGS IN DECEMBER 1976 AND MARCH 1977, OF ALL PARTICIPANTS WHICH SPOKE, ONLY PAKISTAN, AUSTRALIA, AND CANADA QUESTIONED THE NEED FOR CONTINUING THE FRAMEWORK OF THE MFA BEYOND DECEMBER 31, 1977; DURING THE JULY TC MEETINGS, THESE SAME THREE COUNTRIES SIMPLY RESERVED THEIR POSITION ON EXTENSION OF THE MFA.

6. THE EUROPEAN COMMUNITY ORIGINALLY SOUGHT TO DISCUSS "THEMES" FOR IMPROVEMENT OF THE MFA, AND, AS NOTED ABOVE, INDICATED THAT FORMAL CHANGES TO THE MFA TEXT MIGHT BE NECESSARY TO ACCOMMODATE THE EC'S NEEDS. DURING THE MEETING, HOWEVER, THE EC (DESPITE STRONG AND FORMAL OPPOSITION BY AT LEAST ONE MEMBER STATE) ULTIMATELY RETREATED FROM ITS INITIAL POSITION AND SUPPORTED THE WORKING PAPER. (FYI: THE EC'S INTERPRETATION OF THE WORKING PAPER MAY DIFFER FROM OURS, AND SOME EC MEMBER STATES MAY OBJECT TO IT ON THE GROUNDS THAT IT DOES NOT PROVIDE AUTHORITY TO NEGOTIATE ROLLBACKS IN TRADE LEVELS. THE EC HAS MADE CLEAR THAT IT INTENDS TO SEEK MORE RESTRICTIVE BILATERAL AGREEMENTS THIS YEAR WITH ITS MAJOR SUPPLIERS, WITH EMPHASIS ON HONG KONG, KOREA, AND TAIWAN, AND THAT THE RESULTS OF THIS EFFORT WILL PLAY A MAJOR ROLE IN THE COMMUNITY'S LIMITED OFFICIAL USE

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SUBSEQUENT CONSIDERATION OF ADHERENCE TO RENEWED MFA. END FYI).

7. THE JULY TC MEETING ENDED WITHOUT A CONSENSUS ON RENEWAL OF THE MFA. HOWEVER, DURING THE MEETING THE GATT SECRETARIAT INFORMALLY CONFIRMED THAT IF A GROUP OF COUNTRIES WISHED TO RENEW THE MFA AMONG THEMSELVES,

A PROTOCOL COULD BE OPENED FOR THAT PURPOSE. AT THE FINAL TC PLENARY, THE US PROPOSED THAT A PROTOCOL BE OPENED AS OF DECEMBER 15, 1977 FOR EXTENSION OF THE MFA FOR 4 YEARS IN ITS PRESENT TEXT AND ON THE BASIS OF THE GENERAL UNDERSTANDING REFLECTED IN THE WORKING PAPER. THUS SHOULD THE TC FAIL TO REACH A CONSENSUS ON RENEWAL BEFORE DECEMBER 15, A COURSE OF ACTION EXISTS BY WHICH COUNTRIES WHICH SUPPORT THE WORKING PAPER COULD RENEW THE MFA AMONG THEMSELVES. OUR ANALYSIS OF THE PRESENT CIRCUMSTANCES LEADS US TO BELIEVE IT WILL PROBABLY BE NECESSARY TO FOLLOW THIS COURSE IF DEMISE OF THE MFA IS TO BE AVERTED. (FYI: NORMAL GATT PROCEDURES REQUIRE GATT COUNCIL APPROVAL OF AN ARRANGEMENT DEROGATING FROM BASIC GATT RULES BY MAJORITY VOTE WITH AT LEAST A MAJORITY OF GATT MEMBERS PRESENT. HOWEVER, THIS STEP WAS NOT TAKEN WHEN THE MFA WAS ORIGINALLY OPENED IN DECEMBER 1973 AND MIGHT NOT BE NECESSARY FOR EXTENSION OF MFA. END FYI). ACCORDINGLY, IMMEDIATELY AFTER THE JULY TC MEETING ENDED, THE PARTICIPANTS WHICH HAD SUPPORTED THE WORKING PAPER MET INFORMALLY AND AGREED TO PROCEED WITH THE PREPARATION AND OPENING OF THE PROTOCOL. SUBSEQUENT CONSULTATIONS WITH THE GATT SECRETARIAT (FYI INCLUDING DIRECTOR-GENERAL OLIVIER LONG AND DEPUTY DIRECTOR-GENERAL GARDNER PATTERSON END FYI) LED TO THE CONCLUSION THAT THE BEST PROCEDURE WOULD INVOLVE TWO STEPS: FIRST, A FORMAL LIMITED OFFICIAL USE

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REQUEST BY LETTER TO LONG AS GATT DIRECTOR GENERAL (RATHER THAN TO LONG AS THE CHAIRMAN OF THE TEXTILES COMMITTEE) THAT A PROTOCOL BE OPENED AND, SUBSEQUENTLY, THE SUBMISSION OF THE PROTOCOL ITSELF WHICH WILL EVENTUALLY BE OPENED FOR SIGNATURE. THE FIRST STEP OF THIS TWO-STEP PROCEDURE CONFIRMS THE SUPPORT FOR EXTENDING THE MFA ON THE BASIS OF THE WORKING PAPER BUT DOES NOT ACTUALLY COMMIT ANY PRESENT MFA PARTICIPANT TO SIGN THE PROTOCOL.

8. THE US, ON BEHALF OF ITSELF, THE EC AND A NUMBER OF UNNAMED PARTICIPANTS, SENT SUCH A LETTER TO THE DIRECTOR-GENERAL ON AUGUST 10, 1977 REQUESTING THE OPENING OF A PROTOCOL EXTENDING THE MFA FOUR YEARS (TO DECEMBER 31, 1980) ON THE BASIS OF THE GENERAL UNDERSTANDING REFLECTED IN THE WORKING PAPER. THE PROTOCOL ITSELF, AFTER

CLEARANCE WITH THE PARTICIPANTS WHICH SUPPORTED THE WORKING PAPER, WILL BE SUBMITTED TO THE GATT DIRECTOR-GENERAL LATER IN THE YEAR.----- WE ANTICIPATE THAT THE CLEARANCE PROCESS WILL BE UNDERTAKEN BY AN INFORMAL WORKING GROUP IN GENEVA, CHAIRED BY THE US-DESIGNATED

MEMBER OF THE TEXTILES SURVEILLANCE BODY (FSO HARRY M. PHELAN).

9. IT IS OUR EARNEST HOPE THAT THE MFA WILL BE EXTENDED, AND THAT ALL PRESENT PARTICIPANTS WILL CONTINUE TO ADHERE TO IT AFTER THE EXTENSION. WE DO NOT BELIEVE THAT A CONSENSUS CAN BE REACHED IF CHANGES ARE PROPOSED WHICH AIM AT A MORE RESTRICTIVE MFA; INDEED, EXCESSIVE PRESSURE IN IMPORTING COUNTRIES FOR A MORE RESTRICTIVE MFA COULD ERODE THE DEGREE OF CONSENSUS WHICH NOW EXISTS.

10. IN OUR VIEW, CONTINUATION OF THE MFA IS VITALLY IMPORTANT TO ALL PARTICIPANTS IN INTERNATIONAL TEXTILE LIMITED OFFICIAL USE

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TRADE FOR TWO BASIC REASONS: (A) IT PROVIDES A GENERAL FRAMEWORK, AS WELL AS MINIMUM STANDARDS, FOR NEGOTIATING AND JUDGING BILATERAL RESTRAINT AGREEMENTS, THUS PROTECTING BOTH IMPORTING AND EXPORTING COUNTRIES, AND (B) IT TENDS TO MINIMIZE POSSIBLE USE OF MORE DRASTIC PROTECTIONIST MEASURES, THUS ASSURING EXPORTING COUNTRIES OF KNOWN, BUT NON-DISRUPTIVE, ACCESS TO DEVELOPED MARKETS WHILE ASSURING THE DOMESTIC TEXTILE AND APPAREL INDUSTRIES OF IMPORTING COUNTRIES THAT THEY WILL NOT BE INJURED BY DRASTIC INCREASES OF IMPORTS. WITHOUT THESE ASSURANCES, MORE RIGID (EVEN DRACONIAN) PROTECTIONIST MEASURES, SUCH AS WERE BEGINNING TO COME INTO USE BEFORE THE MFA, ARE ALMOST CERTAIN TO BE PROPOSED AGAIN (LIKE THE CANADIAN GATT ARTICLE XIX MEASURES OF NOVEMBER 29, 1976 AGAINST APPAREL IMPORTS).

11. MOREOVER, TEXTILES AND TEXTILE PRODUCTS ARE AMONG THE MOST SENSITIVE OF TRADE AREAS IN THE RAPIDLY APPROACHING MTN EXERCISE. TO FAIL TO RENEW THE MFA, OR TO RENEW IT WITH RESTRICTIVE CHANGES, WOULD WHET THE APPETITE OF PROTECTIONIST FORCES FOR HIGHLY RESTRICTIVE POSTURES BY DEVELOPED IMPORTING COUNTRIES IN THE MTN. LIKEWISE, IF DEVELOPING EXPORTING COUNTRIES

EMBARKED ON AN EXERCISE TO LIBERALIZE THE EXISTING MFA, AND ESPECIALLY IF THEY WERE TO SUCCEED, THOSE WHO SEEK MORE RESTRICTIVE PROVISIONS IN THE MFA WOULD BE SURE TO INCREASE THEIR EFFORTS TO BLOCK LIBERALIZATION OF TRADE THROUGH THE MTN. LIBERALIZATION, HOWEVER, DOES NOT APPEAR TO BE IN THE CARDS, AS EVIDENCED BY THE FACT THAT THE MAJOR EXPORTERS HAVE SUBSCRIBED TO THE WORKING PAPER; IN FACT, IT WAS HONG KONG WHICH SUGGESTED LIMITED OFFICIAL USE

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THE "REASONABLE DEPARTURES" LANGUAGE. GATT DIRECTOR-GENERAL LONG NOTED THE RELATIONSHIP BETWEEN RENEWAL OF THE MFA AND SUCCESS OF THE MTN IN HIS CONCLUDING REMARKS TO THE JULY TC MEETING; WE SHARE HIS VIEW THAT NEWAL WITHOUT SUBSTANTIVE CHANGE IS AN ESSENTIAL CONDITION FOR CONTROLLING INCREASING PROTECTIONISM IN TEXTILE TRADE AND THUS ELIMINATING ONE ROADBLOCK TO THE SUCCESS OF THE MTN.

12. ACTION REQUESTED. ACTION ADDRESSES ARE REQUESTED TO TAKE APPROPRIATE PROMPT OPPORTUNITY TO DISCUSS RESULTS OF TC MEETING, AND SEPARATE INITIATIVE ON THE PROTOCOL, WITH SENIOR HOST GOVERNMENT OFFICIALS. PARTICULAR EMPHASIS SHOULD BE PLACED ON IMPORTANCE OF MFA TO ALL CONCERNED, AND ON OUR HOPE THAT, ON REFLECTION, HOST GOVERNMENT WILL PERCEIVE THAT A) EXTENSION OF THE MFA WITHOUT CHANGE IS ESSENTIAL, AND B) BEST CHANCE FOR EXTENSION WITHOUT CHANGE IS ON THE BASIS OF THE UNDERSTANDINGS IN THE WORKING PAPER.

13. DRAWING ON ABOVE BACKGROUND AND ANALYSIS AS APPROPRIATE, YOU SHOULD NOTE THAT THESE UNDERSTANDINGS REPRESENT THE CURRENT AND GENERALLY ACCEPTED INTERPRETATION OF THE MFA, WHICH PROVIDES CONSIDERABLE FLEXIBILITY FOR NEGOTIATED BILATERAL AGREEMENTS WITHIN A FRAMEWORK OF MULTILATERALLY AGREED GUIDELINES. YOU SHOULD EMPHASIZE STRONGLY THAT WE DO NOT BELIEVE THE WORKING PAPER LANGUAGE ALLOWS ANY IMPORTING COUNTRY TO SEEK DEPARTURE FROM THE OVERALL GUIDELINES OF THE MFA, AND THAT WE WOULD OPPOSE ANY ARRANGEMENT THAT SEEKS TO DO SO.

14. FOR CAIRO: HAMZA (MEMBER OF EGYPTIAN GENEVA DELEGATION) WAS A MEMBER OF GROUP WHICH DRAFTED THE WORKING PAPER BUT HE RESERVED HIS POSITION ON ALL CONTROVERSIAL PROVISIONS BECAUSE HE FELT HE WAS REP-

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RESENTING THOSE DEVELOPING COUNTRIES WHICH WERE NOT PRESENT. HE SUPPORTED BRAZIL/INDIA PAPER DURING TC MEETING, BUT ALSO SOUGHT ADDITIONAL TIME TO STUDY PROPOSALS. WE BELIEVE EGYPT MIGHT SUPPORT WORKING PAPER IF IT WERE PROPERLY PRESENTED TO THEM.

15. FOR MADRID: SPAIN DID NOT PARTICIPATE IN

PREPARATION OF WORKING PAPER; DURING JULY 24 TC MEETING,
SPANISH REP GENERALLY SUPPORTED BRAZIL/INDIA PAPER
BUT FELT DELAY TO STUDY BOTH PAPERS WOULD BE HELPFUL.

16. FOR TEL AVIV: ISRAELI REPRESENTATIVE NEITHER
PARTICIPATED IN PREPARATION OF WORKING PAPER NOR
COMMENTED ON EITHER PAPER; BUT EXPRESSED DESIRE TO BE
HELPFUL. WE ARE REPEATING GENEVA 6870 TO YOU AS
FURTHER EXPLANATION.

17. FOR NEW DELHI: RAMAKRISHNA (OF MINISTRY OF COMMERCE)
SAW WORKING PAPER BEFORE IT WAS CIRCULATED BUT DID NOT
PARTICIPATE IN GROUP WHICH DRAFTED IT. ALTHOUGH HE
OPPOSED WORKING PAPER DURING TC MEETING, HE BELIEVED
THAT SOME TIME FOR FURTHER REFLECTION MIGHT BE HELPFUL.
GOI IS CLEARLY CONCERNED ABOUT EC'S INTENTIONS, BUT
INDIA HAS GREAT DEAL TO LOSE IF MFA EXPIRES, AS IT
WILL PROBABLY FIND IT DIFFICULT TO COMPETE INTERNATIONALLY
(I.E., AGAINST HONG KONG AND SOME OTHER EA SUPPLIERS)
WITHOUT THE GUARANTEED ACCESS MFA PROVIDES. THIS POINT,
IN EMBASSY'S DISCRETION, COULD ALSO BE MADE.

18. FOR BRASILIA: BRAZILIAN EMBASSY OFFICIALS HAVE
ALREADY COVERED ABOVE GROUND WITH STR AND DEPT. WE
BELIEVE THEY ARE PRESENTLY CONSIDERING WHAT STEPS TO
TAKE, INCLUDING WHETHER OR NOT TO SEEK TO COUNTER THE
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OPENING OF A PROTOCOL. AT THIS TIME, THERE IS NO NEED
TO SEEK OUT BRAZILIANS TO MAKE ABOVE CLEAR, BUT DEPT
WOULD APPRECIATE ANY INFORMATION YOU MAY GAIN
CONCERNING THEIR INTENTIONS.

19. BY SEPTELS, WE ARE SENDING TEXTS OF THE WORKING
PAPER, THE BRAZIL/INDIA PAPER AND THE AUGUST 10 LETTER
TO GATT DIRECTOR-GENERAL REQUESTING OPENING OF A
PROTOCOL, AS WELL AS MORE DETAILED REPORT ON JULY 24
TC MEETING. UNQUOTE. CHRISTOPHER

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To: SEOUL
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